



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution Authorizing Sole Source Procurement of Residential Water Meters from Badger Meter, Inc., of Milwaukee, Wisconsin, for City of Lodi Residential Water Meter Program

MEETING DATE: August 4, 2010

PREPARED BY: Public Works Director

RECOMMENDED ACTION: Adopt a resolution authorizing the sole source procurement of residential water meters from Badger Meter, Inc., of Milwaukee, Wisconsin, for the City of Lodi Residential Water Meter Program.

BACKGROUND INFORMATION: The City of Lodi has implemented three water meter installation projects resulting in 2,882 residential properties that are ready for metered billing as of January 1, 2011. The remaining 13,839 residential water meter installations are scheduled to be completed in phases over a five-year period beginning in Spring 2011.

The water meter procurement will be performed by the City in order to take advantage of potential cost savings associated with large volume purchases over the life of the program. The City has the option of purchasing meters directly from multiple meter manufacturers or a single designated manufacturer. The water meter consists of three main components packaged as a single unit – the meter body, encoder register, and the encoder-receiver-transmitter (ERT).

On December 19, 2007, Council adopted a resolution to standardize three meter manufacturers (Hersey, Sensus and Badger) that were determined to be the most appropriate for the City's needs based on meter performance, ease of installation, and product support experienced during the initial pilot project. The City currently allows only the ERT manufactured by Itron for both water and electric meters because both are compatible with the meter reading system.

Of the 2,882 water meters installed to date, all have been procured using the competitive bid process; 2,482 (two of the three projects) have been supplied by Badger Meter, and the remaining 400 were supplied by Hersey Meter as part of the City's initial pilot project. Sensus has not submitted bids on the last two projects for reasons unknown.

Because of the size and implementation schedule of the City's water meter program, a traditional competitive bid process is not recommended. The benefits of sole sourcing a meter manufacturer include:

- Large volume pricing where the City will enjoy the economy of scale when purchasing substantial numbers of meters over an extended period of time.

APPROVED: _____

Konrad Bartlam, Interim City Manager

- Minimizing the spare parts needed to service the water meters once in place, which simplifies operations and maintenance efforts and reduces inventory requirements.
- A single manufacturer can better ensure that all meters are sequentially numbered and integrated into the City's billing system.

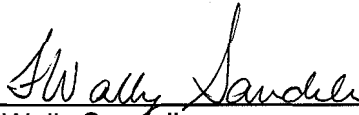
Sole sourcing of water meters has been done in other communities in California to achieve similar benefits. See attached Exhibit A for more details.

It has been staff's experience that Badger Meter has provided an excellent product and superior technical product support and customer service to the City. Badger has also met the City's delivery and storage schedules, which will be a key element of successfully implementing very large projects.

Staff recommends that Council authorize the sole source procurement of residential water meters from Badger Meter, Inc., of Milwaukee, Wisconsin, for the City of Lodi Residential Water Meter Program. Once purchases are actually made, staff will return for purchase authorization with the relevant agreements.

FISCAL IMPACT: Water meter procurement costs will be reduced due to large volume pricing and operations and maintenance costs will be reduced minimizing the amounts and types of spare parts needed to properly maintain the water meters placed in operation.

FUNDING AVAILABLE: Not applicable.



F. Wally Sangelin
Public Works Director

Prepared by Charles Swimley, Deputy Public Works Director - Utilities

FWS/CS/dsg

Attachment

Technical Memorandum

Lodi Water Meter Program

Subject: Meter Sole Source Recommendation

Prepared For: City of Lodi

Prepared by: Tony Valdivia, P.E., Aaron Hope

Reviewed by: Michael Matson, P.E.

Date: June 29, 2010

Reference: 140-007

Overview

As part of its Water Meter Program, the City of Lodi has implemented three water meter installation projects at residential parcels within the City. As of March 2010, these meter installation projects have resulted in 2,882 properties that are ready for meter-based water billing. The City will complete the remaining 13,839 residential property water meter installations in five phases, beginning in the spring of 2011 and continuing through 2015.

Prior to the start of each phase, the City will solicit contractor bids under the City's procurement policies and the State of California Public Contracting Code requirements. Construction will consist of a range of efforts depending on location of the existing service, the size of the serving distribution main and the presence or absence of an existing meter and meter box. A large quantity of ¾-inch and 1-inch water meters will be needed for this work.

As defined in the City of Lodi Standard Detail Nos. 403 and 412, the water meter consists of three main components, packaged as a single, assembled unit:

- Water Meter – measures water volume using a nutating disk technology.
- Encoder Register – converts meter measurements into volumetric water use data. The encoder is typically that of the meter manufacturer.
- Encoder-Receiver-Transmitter (ERT) – transmits water usage (register) data via radio frequency to a nearby fixed or mobile receiver. The ERT can be that of the meter manufacturer or another manufacturer if compatible.

Sole-Source Procurement of Water Meters

Meter procurement will be done directly by the City to take advantage of the potential cost savings associated with a large quantity of meters over the five-year construction phasing plan. Direct purchase will allow the City to maintain some control over inventory and distribution management through negotiation of the terms and conditions of the meter procurement agreement. Direct purchase also avoids material markups from general contractors, which can be substantial.

The City has the option to directly purchase meters from multiple meter manufacturers or a single designated manufacturer. The City has approved three meter manufacturers, as listed in Standard Details 403 and 412 for residential ¾-inch and 1-inch water meter installations: Badger, Sensus and Hersey. The City allows only ERTs manufactured by Itron for both the water utility and the electric utility (the City's Electric Utility Department [EUD] currently uses Itron ERTs). Badger meters are readily compatible with Itron ERTs.

Because of the nature of the project, a traditional competitive bid process may not be in the City's best interest. Instead, purchasing from a single manufacturer will have several benefits:

- Purchasing all meters from a single manufacturer will be more cost effective than purchasing from several different suppliers (larger volume is expected to lead to smaller cost per meter).

Lodi Water Meter Program

Meter Sole Source Recommendation

- A single manufacturer can better ensure that all meters are sequentially numbered and correctly integrated into the City's billing database. Future upgrades to the City's automated meter reading (AMR) systems will be more streamlined if consistent meter and ERT models are used throughout the City.
- A single meter type and manufacturer will simplify the City's ongoing operation and maintenance efforts. Fewer spare parts would be needed in inventory and maintenance staff can more easily troubleshoot problems.

Sole-sourcing of a meter manufacturer has been done in several communities in California to achieve similar benefits to the local water utility. Other cities that have sole-sourced water meter contracts are shown in Table 1.

Table 1: Water Meter Sole-Sourcing by Other Cities

City	Sole-Source Manufacturer	Total Cost
Sacramento, CA ¹	Badger Meter, Inc.	\$10.5M
City of Morgan Hill, CA ²	Sensus Meters	\$0.2M
City of Woodland, CA ³	Sensus Meters	\$4.2M

Notes:

1. City of Sacramento Contracting Processes Review, Report Number 2007-02. May 16th, 2008.
2. Morgan Hill City Council Staff Report, Approve Water Meter Sole Source Purchase. November 4th, 2009.
3. City of Woodland, Report to Mayor and City Council Water Meter Implementation, Project No. 07-51 (08-08) Phase 1; Adopt Sole Source Findings. December 16th, 2008.

Sole-Source Meter Manufacturer

Several of the more important considerations in selecting a sole-source meter manufacturer include:

- Meter performance – the City must have confidence that the meter manufacturer's product will perform well over the service life of the product.
- Compatibility – the meter manufacturer's product (meter and register) must be compatible with the Itron ERT to ensure seamless integration into and the City's electric and water billing systems.
- Service and Customer Support – The meter manufacturer must have a robust customer service and technical support capability.
- Past experience – the City should have a positive prior experience with the meter manufacturer.

Of the 2,882 water meters installed to date, all have been procured using the competitive bid process; 2,482 (two of the three projects) have been supplied by Badger Meter with the Itron ERT, and the remaining 400 were supplied by Hersey Meter with the Itron ERT as part of the City's initial pilot project. Sensus has not submitted bids on the last two projects for reasons unknown.

It has been City Staff's experience from these projects that Badger Meter has provided an excellent product and superior technical product support and customer service to the City. Badger has also met the City's delivery and storage schedules which will be a key element of successfully implementing very large projects.

Recommendation

The City should proceed with the sole-source procurement of meters, registers and ERTs for the Water Meter Program from Badger Meter, Inc. Badger Meter, Inc. has a proven product delivery and performance record with the City of Lodi. The Badger Meter, Inc meters have been installed on previous City metering projects and sole-sourcing will match the existing meter inventory within Lodi and result in reduced investment in spare parts inventories long-term.

RESOLUTION NO. 2010-125

A RESOLUTION OF THE LODI CITY COUNCIL AUTHORIZING SOLE
SOURCE PROCUREMENT OF RESIDENTIAL WATER METERS

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WHEREAS, City of Lodi has implemented three water meter installation projects resulting in 2,882 residential properties that are ready for usage-based billing as of January 1, 2011. The remaining 13,839 residential water meter installations are scheduled to be completed in phases over a five-year period beginning in the Spring of 2011; and

WHEREAS, the water meter procurement will be performed by the City in order to take advantage of potential cost savings associated with large volume purchases over the life of the program; and

WHEREAS, on December 19, 2007, Council adopted a resolution to standardize on three meter manufacturers (Hersey, Sensus, and Badger) that were determined to be the most appropriate for the City's needs based on meter performance, ease of installation, and product support experienced during the initial pilot project; and

WHEREAS, of the 2,882 water meters installed to date, all have been procured using the competitive bid process; 2,482 have been supplied by Badger Meter, and the remaining 400 were supplied by Hersey Meter as part of the City's initial pilot project; and

WHEREAS, the benefits of sole sourcing a meter manufacturer include 1) large volume pricing where the City will enjoy the economy of scale when purchasing substantial numbers of meters over an extended period of time, 2) minimizing the spare parts needed to service the water meters once in place which simplifies the operations and maintenance efforts and reduces inventory requirements, and 3) a single manufacturer can better ensure that all meters are sequentially numbered and integrated into the City's billing system; and

WHEREAS, sole sourcing of water meters has been done in other communities in California to achieve similar benefits; and

WHEREAS, Badger Meter has provided an excellent product, superior technical product support, and customer service and met the City's delivery and storage needs.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby authorize the sole source procurement of residential water meters from Badger Meter, Inc., of Milwaukee, Wisconsin, for the City of Lodi residential water meter program.

Dated: August 4, 2010

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I hereby certify that Resolution No. 2010-125 was passed and adopted by the City Council of the City of Lodi in a regular meeting held August 4, 2010, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Hitchcock, Johnson, and
Mayor Katzakian

NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – Mounce

ABSTAIN: COUNCIL MEMBERS – None


RANDI JOHL
City Clerk